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Approved by:

Bonnie Borris

U.S. Agricultural Trade Office

Prepared by:

Bernard Kong

Report Highlights:

Singapore's economy experienced a negative growth rate of 2% in 2001. However, in the final quarter, the downtrend was reversed and the overall economy showed a 5.6% rise over the last quarter of the previous year. While all major sectors experienced negative growth rates in 2001, there was considerable optimism that the economy has turned round the corner. Improved external trade, increased manufacturing turnover and higher consumer spending were evident signs of a turnaround in the economy.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I. MARKET OVERVIEW

Singapore's Gross Domestic Product which was largely driven by the export oriented electronics manufacturing declined by 2% in CY 2001. While the decline was significantly higher in the first nine months of CY 2001, the GDP in the final quarter grew by 5.6% over the previous quarter, reversing three consecutive quarters of quarter on quarter declines.

External demand which fell by 7.7% in 2001 has been the major restraint on growth due to weak global economic conditions and the drastic downturn in electronics demand. Electronics account for almost 40% of value added in manufacturing and 60% of non-oil domestic exports by value in CY2001.

Manufacturing sector fell by 8.9% while the service sector accounting for about three-quarters of the GDP, grew by 1.6% in CY 2001. With practically all major sectors experiencing rapid declines, it was not surprising that the economy as a whole experienced a 2% decline for the full calendar year of 2001.

Most analysts believe that the Singapore economy has turned the corner to a recovery in key sectors by mid- year driven by the small but certain rebound in the U.S. economy. The Singapore Government has upgraded its own CY2002 GDP forecast to between 2-4% from 1-3%. But there are a number of uncertainties on the road to recovery. Singapore's heavy dependence on electronic exports means that a robust recovery for the country will only come if the general upswing in the U.S. economy is accompanied by a strong rebound in demand for electronic products.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Fast growing incomes and highly educated population	High costs of entry into major supermarket chains
Increasing preference for higher quality products	Lower prices of competing products from other countries
Proliferation of western family-style restaurants and fast food chains	Inadequate knowledge on use of U.S. products
High consumer regard for U.S. brands	High promotional and advertising costs for introducing new products

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Custom

Singapore business practices are in a transitional stage. Many of the older Singapore businessmen rely on personal relations and trust to conduct regular business transactions. In the past, new business is initiated only after a face-to-face meeting with the new trading partner. The younger businessmen, on the other hand, are prepared to start new business relationships with foreign companies without the benefit of a personal meeting. However, commitment for the younger business generation to an existing business relationship is less solid than in the case of the older generation.

In larger business organizations, business relationships tend to be more impersonal. Suppliers compete fiercely for business and low margins and competitive pricing appear to be the typical setting.

General Consumer Tastes and Preferences

With rising consumer incomes, Singaporeans are prepared to pay for higher quality food products or products that will provide savings in labor and time. Hence, on the supermarket shelves we tend to see an increasing number of prepared and convenience foods. Diced vegetables and seasoned portion-control meats and poultry are in increasing demand as households rely on both spouses to work.

As almost all Singapore households are of Asian origin, imported foods have to be able to lend themselves to Asian cuisines. Asian dishes tend to be stir fried, prepared in curries or marinated in chilli sauces.

Food Standards and Regulations

Singapore food laws are delineated in the Food Act and all packaged foods sold in retail outlets have to comply with the allowable ingredients and preservatives listed in the abovementioned Act (see the FAIRS Report).

Singapore has a very open import regime and all foods, with the exception of alcoholic beverages and tobacco products, are imported duty free. There are practically no non-tariff restrictions since there is very little local production and the current government policy is to source food products from all over the world. Customs clearance of imported food products is carried out electronically and the process is completed in less than 48 hours.

Import and Inspection Procedures

Export health certification is required for the import of meat and poultry products. In some cases,

random inspection and laboratory analysis of meat and poultry products are carried out. Imports of all newly imported alcoholic beverages are subjected to laboratory analysis for alcohol content.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Consumer-oriented Foods and Beverages & Edible Fishery Products

Singapore which has the second highest per capita income in Asia, is one of the most open economies in the world with no tariffs on all food products except on alcoholic beverages. As a result, a wide range of food products from all over the world can be found on supermarket shelves in this island nation of 4 million people.

The major suppliers of fresh temperate climatic fruit to Singapore are U.S., Australia, New Zealand, E.U., China, South Africa, Brazil and Chile. Suppliers of tropical fruit are neighboring countries of Malaysia, Indonesia and Thailand. Singapore households buy mostly fresh leafy green vegetables from Malaysia, Indonesia, Thailand and China. On the other hand, most of the imported temperate vegetables originating from Australia, New Zealand, E.U. and the United States are supplied to restaurants and selected upmarket supermarkets.

Singapore imports all the meats and poultry it consumes from all over the world. Poultry and pork are the main meat items consumed in Singapore. Freshly slaughtered chicken is obtained by importing live poultry from Malaysia for slaughter in local abattoirs. Until the recent outbreak of the Japanese encephalitis in Malaysia, annual imports of live pigs for slaughter number about 1.2 million per year. Since April 1999, however, only a smaller amount of live pigs numbering about 250,000 are imported annually, now from Indonesia. The remaining pork requirements are fulfilled through the import of chilled pork from Australia and frozen pork from E.U. and U.S.

About half of the chicken requirements are fulfilled through the imports of frozen chicken and chicken parts from U.S., Brazil, China and the E.U.. Beef, while not as widely consumed as chicken, is sold principally in the supermarkets. Major suppliers of beef include Australia, New Zealand, Argentina, China and USA.

In the seafood category, Singaporeans consume mostly fresh and frozen fin fish caught and sold by neighboring countries, i.e. Malaysia, Indonesia and Burma. Other major suppliers include Taiwan and Japan, India, Australia, Vietnam and China. In 2001, a total value of US\$473 million was imported from worldwide sources.

Singaporeans are very fond of fresh seafood, especially fin fish, crabs, lobsters and clams. While most of the fin fish are purchased in the wet markets for home consumption, Singapore consumers generally go to restaurants for the consumption of crabs and lobsters.

Food Retail Sector

It is estimated that almost half of the food retail sales of US\$2.7 billion take place in supermarkets, the rest in convenience shops and wet market stalls. Traditionally Singaporeans shop for their fresh produce, meats and fish in wet market stalls. However, in recent years, more and more household are turning to supermarkets for their fresh produce, meats and fish requirements. Traditionally importers who represent foreign brands will be responsible for the market development of the brands, advertising and promotion and increasing distribution reach to all retailers.

However, in recent years, some of the large supermarket chains and several upmarket retailers import western-type products directly for their own outlets. Products directly imported would include frozen prepared meals, juices, jams, confectionery, biscuits, salad dressings, prepacked deli meats and fresh temperate fruit. Products procured from local importers would include products from the Asian region, dry groceries, tropical fruit, frozen chicken and chicken parts, frozen beef, local sauces and ethnic foods.

Four major supermarket chains dominate the Singapore retail industry. The largest, NTUC Fairprice supermarket chain, has 68 outlets, almost all of them located in major residential estates. NTUC Fairprice's target audience is principally the middle and lower income groups. Competitive pricing is one of the main factors determining whether a new product should be procured for the Fairprice stores. The retail distribution reach of the Fairprice stores is very extensive as they are located in almost every large residential population concentration. Importers who require their products to be distributed island-wide and with the focus on the mass market prefer to work with NTUC Fairprice.

NTUC Fairprice supermarket chain procures almost all their food products from local importers. However, in recent years, NTUC Fairprice has embarked on extensive house branding of basic essentials like rice, bread, cooking oil, toilet paper, box tissue, sugar, dish washing liquid and canned fruit. NTUC Fairprice also imports directly some fresh produce and fish from Myanmar, and Indonesia.

In December 1998, NTUC Fairprice established an all-American store, Liberty Supermarket. The target group of this store is the American, Japanese and the European residents in Singapore. It is intended to have at least two thirds of the store stocked with American products. Liberty imports most of their products directly from the U.S., although a significant percentage of the products retailed are procured from local importers.

The second largest in terms of number of outlets and sales turnover is the Cold Storage group with 25 outlets. Cold Storage supermarkets target the middle and upper-middle income groups. A large percentage of products on their shelves are either western-type products or procured from E.U., Australia, New Zealand and the United States. Eight of their outlets are located in upper middle income residential areas and customers to these outlets are principally expatriates and upper middle

income residents.

The procurement focus of Cold Storage supermarkets is on quality and freshness. Besides procuring most of their products from local importers, Cold Storage also imports significant volumes of fresh temperate fruit and frozen foods from the United States, Australia and the EU. Packaged and canned products manufactured in the Southeast Asian region and in China and which are consumed by the local residents are procured locally from Singapore importers.

The other significant remaining supermarket chain is Shop N Save with 19 outlets. Shop N Save outlets are located in major housing estates and its customers are primarily those in the middle and lower middle income groups. The majority of their products are purchased from local importers. Shop N Save is part of the Singapore listed QAF group. One of the associated companies, Ben Foods, is a distributor for a range of dairy and frozen foods from Australia, New Zealand and the United States. Shop N Save generally would cooperate with Ben Foods by merchandising the foods the latter represent in all their outlets.

Besides the major supermarket chains, there are more than 23,000 minimarts, convenience stores and grocery shops located in all residential housing estates all over the island. As these shops tend to be very small (in most cases no more than 600 square feet in retailing area), products tend to be limited to the very basic household items and to a small number of confectionery items and snack foods. Few of the shops in this category sell frozen meats and prepared meals nor is fresh produce retailed in this category.

Food Service Sector

It is estimated that Singaporeans spend about US\$3.25 billion annually on cooked food. Since eating out in the numerous cooked food stalls located in almost every corner of major housing residential estates is relatively inexpensive, most Singaporeans eat out at least once a day. As most households have working wives, Singapore families find it more convenient and, in most cases, less expensive to eat out. It is not uncommon each evening to see families walk to the nearest neighborhood cooked-food stall to have their dinner.

According to government statistics, there are more than 5,500 cooked food stalls in the whole island. Besides these cooked-food stalls, fast food chains like McDonalds, Kentucky Fried Chicken, Burger King, Pizza Hut are located in large shopping complexes all over the island.

The food service industry has been very badly affected by the economic downturn in 1998 and as a result a number of better known restaurants like TGI Friday's ceased operations. Other restaurant chains closed unprofitable outlets and consolidated their operations by cutting costs and trimming their labor force.

During the recession in 1998, Singapore customers turned away from the more expensive full service

restaurants and frequented the quick service restaurants (QSR), including the fast food joints and full service family establishments like Tony Roma's and Sizzlers. Some consumers go further downscale, from QSR outlets to the low priced cooked food market stalls. Some supermarket managers also reported an increase in purchase of uncooked foods especially those in the lower priced categories as more consumers resort to home cooking to save on eating out expenses. Additionally, some office workers bring in box lunches from home to cut down the cost of eating out.

CY2000 showed a marked improvement in restaurant turnover as the Singapore economy improved during the year. However cash flow remained rather tight as payments from restaurants to suppliers were dragged out to as long as six months in some cases. During the economic crunch in 1998, restaurants switched to lower cost food ingredients to save costs. However, with the upswing in 1999 and 2000, the food service industry is turning back to better quality but higher priced foods as customers resume their original preference for quality food ingredients.

Food service companies in Singapore are widening their distribution network to other countries in the Asian region to achieve economies of scale in operation. As individual restaurant requirements are small, Singapore food service companies provide an alternative supply chain to customers who have small but frequent procurement needs for U.S. or western-type products.

It is thus not uncommon to see a number of well known U.S. brands being transshipped or distributed from Singapore. Traders here are able to provide credit terms to their counterparts in the region or to carry out specific handling, packaging or documentation requirements. Generally products which have a longer shelf life and which do not need refrigeration are more easily transshipped.

Meat and poultry products which require halal certification for Muslim consumers in the region are generally shipped direct to the country of destination. Again, some Singapore traders may be involved in the ordering process as well as in the provision of short term credit to the local importer in the destination country.

Food Processing Sector

Singapore's food processing sector is very limited and the major food manufacturers are those in beer, non alcoholic beverages, snack foods, fish processing and ethnic food activities. As Singapore has no crop or livestock production, practically all food ingredients are imported from a wide range of countries worldwide.

According to the Singapore government statistics, there are more than 300 companies making up Singapore's food processing sector most of which are small-scale operations with output barely sufficient for the local market. These firms manufacture food products ranging from beverages and snack foods to dairy and confectionery goods. With the exception of the sole cigarette manufacturer, the number of employees for each establishment tends to be less than 100 each.

The total sales turnover of all food manufacturers in 2000 was US\$1.92 billion, out of which about 45 percent was re-exported. Products which are exported include cigarettes, edible oils, chocolates,

seafood, milk powder, condensed milk, sauces and spices.

The source of competition varies depending on the nature of the product manufactured. For example, Australia supplies most of the milk products and dairy ingredients while China supplies most of the corn and soybean products. Malaysia supplied nearly 20 % of the food ingredient market and was the major supplier of live animals for slaughter, edible oils, tropical fruit and vegetables in 1998. The U.S. has significant market share in juices, juice concentrates, fresh temperate fruit, nuts, flavorings, spices and leaf tobacco.

OVERVIEW OF SINGAPORE'S FOOD PROCESSING SECTOR		
Food Processing Industry Sub-Sector	No. of Firms	1998 Sales (US\$ million)
Prepared Fruit & Vegetables, Oilseed Products	8	12.4
Dairy	5	156.8
Beverages	9	174.5
Baked Goods/Confectionery	58	131.5
Meats	26	130.6
Snack Foods	10	23.9
Edible Oils	11	241.2
Chocolate and Chocolate Products	6	140.0
Fish and Other Seafood	32	99.6
Other*	155	964.5
TOTAL	320	2075
Notes: * Include production of sauces, spices, rice noodles and other ethnic foods.		

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Snack Foods
- Breakfast cereals & Pancake Mix
- Red meats
- Dairy products
- Fresh Fruit

- Processed Fruit & Vegetables
- Fruit & Vegetables
- Tree Nuts
- Pet Foods

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S Department of Agriculture
541 Orchard Road
#15-03, Liat Towers
Singapore 238881
Fax: (65) 6732-8307
Tel: (65) 6737-1233
[Email:ato_sing@pacific.net.sg](mailto:ato_sing@pacific.net.sg)

Agri-food & Veterinary Authority of Singapore
Ministry of National Development
5 Maxwell Road
#03-00 Tower Block
MND Complex
Singapore 069110
Fax: (65) 6220-6068
Tel: (65) 6222-1211
Website: www.ava.gov.sg

Food Control Department
Ministry of the Environment
5 Maxwell Road
#18-00 Tower Block
MND Complex
Singapore 069110
Fax: (65) 632-2579
Tel: (65) 6324-4563

International Enterprise Singapore
230 Victoria Street #09-00
Bugis Junction Office Tower
Singapore 188024
Fax: (65) 6337-6898
Tel: (65) 6337-6628

Singapore Confederation of Industries
No. 1 Science Centre Road
The Enterprise #02-02
Singapore 609077
Fax:(65) 6338-3787
Tel:(65) 6338-8787
Email: scihq@sci.org.sg

American Chamber of Commerce in Singapore
1, Scotts Road
#16-07 Shaw Centre
Singapore 228208
Tel: (65) 6235-0077
Fax:(65) 6732-5917
Email: nick@amcham.org.sg

Singapore Retailers Association
76 Shenton Way
#17-01
Singapore 079119
Fax:(65) 6223-6621
Tel:(65) 6223-6221
Email: info@sra.org.sg

APPENDIX I. STATISTICS

A. Key Trade & Demographic Information

	2001	
Agricultural Imports From All Countries (\$Mil) /U.S. Market Share (%)	3992	8%
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	2249	11%
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%)	473	2%
Total Population (Millions) / Annual Growth Rate (%)	4.01	1.8%
Urban Population (Millions) / Annual Growth Rate (%)	N.A.	N.A.
Number of Major Metropolitan Areas	1	
Size of the Middle Class (Millions) / Growth Rate (%)	N.A.	N.A.
Per Capita Gross Domestic Product (U.S. Dollars)	20,090	
Unemployment Rate (%)		3.5%
Per Capita Food Expenditures (U.S. Dollars)	1487	
Exchange Rate (US\$1 = S\$1.79)		

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Singapore Imports		Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)		1999	2000	2001	1999	2000	2001	1999	2000	2001
CONSUMER-ORIENTED AGRICULTURAL TOTAL		1680	2244	2249	211	265	238	13	12	11
Snack Foods (Excl. Nuts)		108	118	117	12	15	16	11	13	13
Breakfast Cereals & Pancake Mix		18	17	16	3	4	4	18	24	26
Red Meats, Fresh/Chilled/Frozen		0	174	169	0	8	7	0	5	4
Red Meats, Prepared/Preserved		68	69	68	10	11	10	15	16	15
Poultry Meat		0	98	96	0	25	20	0	25	21
Dairy Products (Excl. Cheese)		20	232	265	4	10	10	17	4	4
Cheese		0	21	21	0	2	2	0	8	9
Eggs & Products		1	50	41	1	1	1	9	3	3
Fresh Fruit		250	242	229	39	39	37	15	16	16
Fresh Vegetables		135	133	144	9	10	10	7	8	7
Processed Fruit & Vegetables		179	165	148	48	46	36	27	28	25
Fruit & Vegetable Juices		28	29	34	6	8	9	23	26	26
Tree Nuts		33	32	23	5	5	4	16	16	16
Wine & Beer		165	164	160	5	6	6	3	4	3
Nursery Products & Cut Flowers		43	45	43	1	1	1	0	1	1
Pet Foods (Dog & Cat Food)		9	9	10	3	4	4	36	41	37
Other Consumer-Oriented Products		624	647	667	66	71	63	11	11	9
FOREST PRODUCTS (EXCL. PULP & PAPER)		295	287	240	11	12	7	4	4	3
Logs & Chips		14	12	15	2	2	1	16	15	5
Hardwood Lumber		91	83	66	4	3	1	5	4	2
Softwood and Treated Lumber		1	1	1	1	1	0	11	4	0
Panel Products (Incl. Plywood)		101	99	73	3	5	2	3	5	3
Other Value-Added Wood Products		89	91	85	2	2	2	2	3	3
FISH & SEAFOOD PRODUCTS		110	554	473	1	10	8	1	2	2
Salmon		1	15	11	1	1	1	31	0	0
Surimi		0	5	4	0	1	1	0	8	10
Crustaceans		57	158	122	1	2	3	1	1	3
Groundfish & Flatfish		0	62	91	0	1	2	0	2	2
Molluscs		0	73	58	0	3	2	0	5	3
Other Fishery Products		53	241	187	1	3	1	0	1	0
AGRICULTURAL PRODUCTS TOTAL		2772	3330	3279	267	312	290	10	9	9
AGRICULTURAL, FISH & FORESTRY TOTAL		3177	4171	3992	279	334	305	9	8	8

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS**SINGAPORE - Top 15 Ranking**

CONSUMER-ORIENTED AGRICULTURAL FISH & SEAFOOD PRODUCTS IMPORTS							
	1999	2000	2001		1999	2000	2001
(\$1,000)				(\$1,000)			
United States	210,928	265,394	238,034				
Malaysia	393,922	515,951	489,329	Thailand	27,243	70,764	72,511
Australia	133,247	285,090	308,310	Malaysia	9,770	67,841	70,077
China (PRC)	197,298	208,623	221,174	Australia	17,625	36,600	24,591
Thailand	103,483	124,099	121,411	Japan	3,548	27,686	21,474
France	107,449	128,573	121,323	China (PRC)	4,970	17,356	21,412
Netherlands	35,017	86,170	77,724	Taiwan	1,024	23,252	19,760
				(Estimated)			
New Zealand	24,772	70,485	74,989	Vietnam	1,716	23,437	18,956
Madagascar	13,855	41,508	74,622	Chile	13,741	19,115	17,235
Brazil	8,578	51,886	65,944	India	508	24,712	16,925
Japan	50,891	49,844	41,475	Burma	0	28,501	15,870
Vietnam	79,265	62,020	33,382	New Zealand	14,502	20,968	13,783
Belgium	12,865	25,500	27,663	Norway	290	17,019	11,762
Taiwan (Est'd)	22,412	22,307	27,510	Hong Kong	1,963	18,290	11,187
Germany	14,572	23,237	26,075	Korea,	1,390	10,681	10,703
				Republic of			
Other	271,336	283,594	299,932	Other	10,903	93,649	76,478
World	1,679,960	2,244,310	2,248,949	World	109,960	554,316	473,226

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

END OF REPORT